

Directors' Report to the Shareholders



(Under section 184 of the Companies Act, 1994 and Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 of the Bangladesh Securities and Exchange Commission)

Respected Shareholders,
Assalamu Alaikum,

The Board of Directors of M. I. Cement Factory Limited (MICFL) welcomes you to the 22nd Annual General Meeting (AGM) of the Company. We have the pleasure to place herewith the Directors' Report and the Auditors' Report along with the Audited Financial Statements of the Company for the year ended 30 June 2016 for your valued consideration, approval and adoption.

The Directors' Report is prepared in compliance with the Section 184 of the Companies Act 1994, Rules and Regulations of the Institute of Chartered Accountants of Bangladesh (ICAB), Listing Rules of Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE) and Bangladesh Securities & Exchange Commission's (BSEC) Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012.

Industry Outlook and Possible Future Development in the Industry

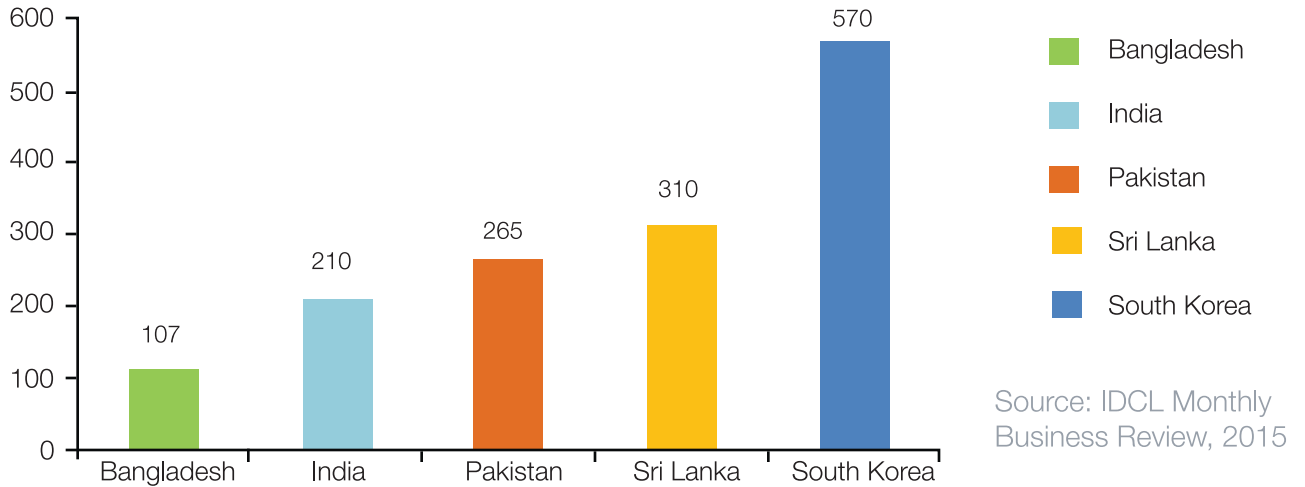
As time passes, the world experiences development in all sectors. Development leads to urbanization, reflecting economic growth, which brings upon infrastructure development and construction. Cement is a major component in this chain. Hence, when dreaming about a futuristic world with tall skyscrapers, massive bridges and other concrete structures, we need to keep in mind that until and unless there is a great discovery of a substitute, without cement it will be impossible to see that future in reality.

There are mainly 27 types of cement, which can be grouped into 5 general categories and 3 strength classes: ordinary, high and very high. Cement mainly used for construction can be segregated broadly into two categories, hydraulic and non-hydraulic, differentiated by the ability of cement to solidify in presence of water.

The global cement production has continued to grow. According to the United States Geological Survey, in 2014 global cement production grew to approximately 4.18 Bn Tonnes, up from 4.08 Bn Tonnes in 2013.

Global Perspective

Per Capital Cement Consumption (Kg)

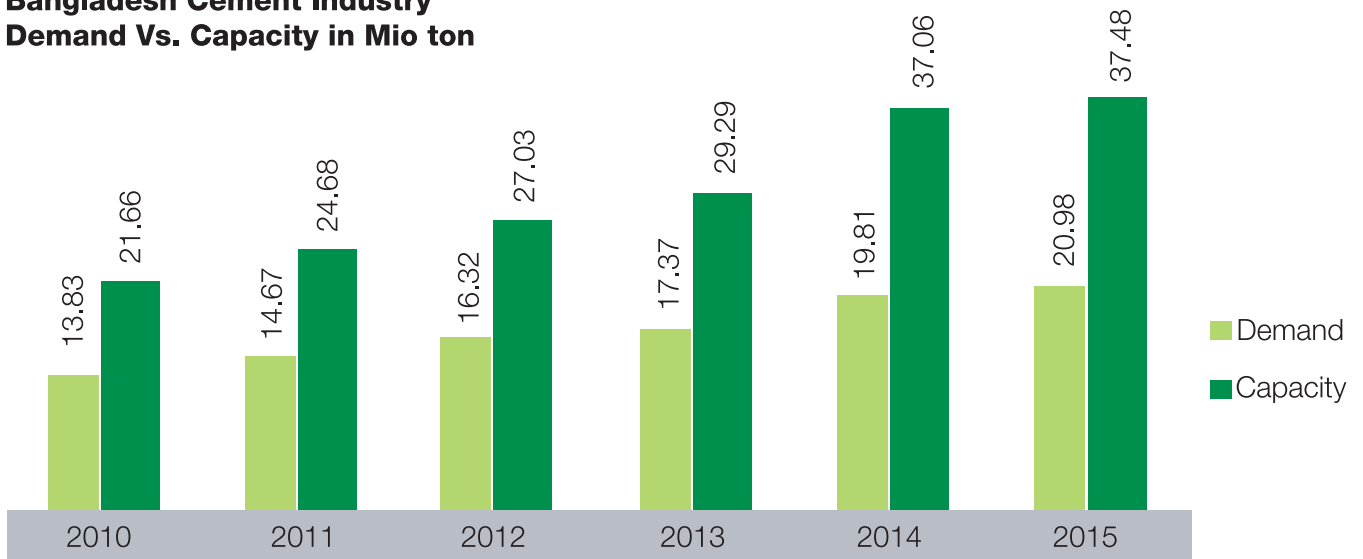


In a recent research conducted by International Cement Review, global demand for cement had doubled within the decade between 2002 and 2012, from 1.8 billion MT to 3.7 billion MT. This was reflected in the high Compound Annual Growth Rate (CAGR) between 2002 and 2015 (7.4%), than the previous decades (4.3%).

Bangladesh Scenario

The birth of the cement industry in Bangladesh dates back to 1994. The local demand was huge as the consumers substituted imported cement with local products. Later, in 2003 M. I. Cement first started exporting its brand 'Crown Cement'. Till now, several cement producers have exported their products to the Seven Sisters Zone & West Bengal of India, with a good potential to further accelerate the export volume.

Bangladesh Cement Industry Demand Vs. Capacity in Mio ton



Since, 1994, more than 120 companies have registered as cement manufacturer, of which 75 actually came into operation and the rest (smaller companies) were forced to shut down. The reason was mainly financial inability to compete with the national players, geographical disadvantage and utility supply shortage.

The growth of the Cement Sector rate was still positive. Market insiders expect the industry to grow by 20 to 25 percent over the next few years (Cement Association 2015). Initiatives like undertaking the construction of the Padma Bridge and Government's plan to use RCC pavements in highways may boost the demand in future.

Future Plan

Considering growing demand of our quality cement, we planned to go for a capacity expansion project through execution of our 5th unit with capacity 4,200 MT per day. The said expansion project is now under implementation and we expect trial production from the new project during mid 2017. In order to complete the expansion project as quickly as possible, a dedicated team comprising local and foreign experts have been working tirelessly since the inception of the project applying their best efforts. The new unit will be of most modern equipment based on VRM Technology that would produce high-quality slag based PCC (Portland Composite Cement). With the implementation of 5th unit, the total production capacity of your company will raise to 10,000 MT per day from its existing capacity of 5,800 MT per day which will be considered one of the largest cement producers in a single location of the country.

Performance

Over the years the Company experienced an increase of its sales revenue. This increase was driven by the superior quality of our products, the strength of our distribution channel and the promotional activities adopted by the Company. For instance, the chemical composition and grinding fineness of our products are closely monitored in order to ensure compliance to relevant standard like ISO 9000:2008, Bangladesh Standards & Testing Institution (BSTI) and Bureau of Indian Standards (BIS). In reality the Quality of our products overlaps these standards.

Financial risk management

(a) Credit risk

Credit risk is the risk that one party to a financial instrument would cause a financial loss for the other party by failing to discharge an obligation. It mainly comprises of receivables from customer, trade and investment securities. To alleviate the credit risk against trade receivable the Company has a policy to obtain security instruments from customers.

(b) Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that have to be settled by delivering cash or another financial assets or liabilities. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputations.

(c) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control risk exposures within acceptable parameters while optimising the return. Market risk comprises three types of risks: Currency Risk, Interest Rate Risk and Commodity Risk.

i) Foreign currency risk

The risk that the fair value of future cash flows of a financial instrument might fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on its certain short and long term debts and purchases that are denominated in foreign currencies.

(d) Interest rate risk

Interest rate risk arises from the fluctuation of interest rate assigned with certain financial asset or liabilities. Exposure to interest risk of the Company at the reporting dates is only related with outstanding offshore loan/commitment having LIBOR plus interest rate.

(e) Commodity risk

Commodity risk arises from fluctuation of value of commodity in terms of price, quantity, cost and political condition of the market from or to which the Company procure or sell product respectively. Exposure to commodity risk of the Company at the reporting date may not be significant.

With general risks and all other categories of risks discussed above, it may be deemed that the company is in almost safe and risk free position. In addition, the best that can be achieved is reasonable management of the risk to which the company is exposed through a sound management process based on most accurate, timely and comprehensive management information available.

Going Concern

The Directors are of the opinion that the Company is a going concern. Accordingly, Financial Statements are prepared on a going concern basis.

State of Company's Affairs

In 2016, your Company faced stiff competition as competitors with increased capacity forced cement prices down. Despite a very competitive and challenging year, your company was able to perform better during the year under reference. The current year's turnover was Tk. 9,016.55 million as against Tk. 8,264.24 million of the last year, resulting 9.10% growth in the current year compared to the previous year. The Gross Profit grew by 17.38% that meant to a good leap from Tk. 1,413.69 million to Tk. 1,659.36 million. The Profit from Operation is increased by 21.48% which is as expected due to our hard labour. To achieve such milestones we have to spend in line. Due to our strict policy and expertise we could reduce the administrative expenses by 4.37% against last year expenses. The Cost of Sales increases by 7.40% against the last year expenses which is lesser growth than the revenue growth. But as the sales volume increases competing the growing cement market we maintained the sales policy in line with other competitors which increases our Selling and Distribution Expenses by 19.54% against last year expenses.

Related Party Transactions

During the period the Company carried out number of transactions with related parties in the normal course of business on an arm's length basis. Names of those related parties, relationship, nature and their value are shown in Note 40.00 of the Financial Statements.

IPO Fund Utilization

We had published the final status of the IPO Fund Utilization in the Annual Report for the year ended 30 June 2012. There is no amount left unutilized of the IPO Fund and no deterioration of the IPO Fund took place during the year under review.

Remunerations of Directors

Two Directors namely Mr. Md. Alamgir Kabir and Mr. Molla Mohammad Majnu are working diligently and sincerely for the Company as Additional Managing Director in addition to the Managing Director. While Mr. Md. Alamgir Kabir is looking after Marketing & Sales and Finance, whereas Mr. Molla Mohammad Majnu is looking after Factory Operations. The Directors Remuneration, Meeting Attendance Fees has been mentioned in the Note No. 27.05, 29.00 and 30.00 of the Notes to the Financial Statements.

The System of Internal Control

The Board of Directors assures its Shareholders that the Company has a competent risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. Although all risks to the business are not known at present, the Company takes reasonable steps to identify material risks that may hamper business results and systematically reviews these risks in light of the changing internal and external environment in order to assess that controls in place are adequate to address these risks.

5 Year's Operating and Financial Data

5 year's Consolidated Statement of Comprehensive Income and Statement of Financial Position are presented in Annexure III.

Dividend

The Board of Directors is pleased to recommend a cash dividend of 20% i.e. Tk. 2.00 for each Ordinary Share of Tk. 10.00 for the year ended 30 June 2016.

Board Meetings and Attendance

During the year ended 30 June 2016, 18 (eighteen) Meetings of the Board of Directors were held. The attendance of the Directors is shown in Annexure-II.

Share holding Pattern

The Shareholding Pattern of the Company for the period ended 30 June 2016 is shown in Annexure-IV.

Directors' Election and Re-Appointment

Pursuant to the provisions of the Companies Act 1994 and Clause No. 81 of the Articles of Association of the Company one-third of the Directors shall retire by rotation in every Annual General Meeting. Accordingly, 2 (two) directors of the company will retire in the 22nd Annual General Meeting. The retiring directors are:

1. Mr. Md. Alamgir Kabir
2. Mr. Molla Mohammad Majnu

Being eligible they offer themselves for reelection. A brief profile of the Directors are disclosed in Annexure-V.

Directors' Declaration as to Financial Statements

The Directors are responsible for the governance of the Company, and as part of preparation and presentation of the financial statements, the Directors confirm, to the best of their knowledge that:

- The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- The International Accounting Standards (IAS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure has been adequately disclosed;

Other Regulatory Disclosures

- The company's IPO was made during inception. No further issue of any instrument was made during the year.
- As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as "extraordinary gain or loss" in the financial statements. Accordingly, recognized in the financial statements.
- No significant variations have occurred between quarterly and final financial results of the Company during 2015-2016.
- The financial statements prepared by the management of the Company.

Financial Results

The financial results for the year ended 30 June 2016 is given below:

Particulars	Amount (Taka)
Retained earnings (Carried forward from previous year)	849,832,558
Add: Revaluation Reserve and deferred tax liability realized	2,270,589
Total Reserve	852,103,147
Add: Net Profit for the year	744,247,825
Total funds available for appropriation	1,596,350,972
Less: Proposed Dividend: Cash Dividend @ 20%	297,000,000
Undistributed profit	1,299,350,972

CSR Activities

Apart from profit making, your Company equally emphasizes its obligation towards the Society. You would be happy to note that we have been continuing various activities to perform Corporate Social Responsibility (CSR). Some of the CSR activities are detailed in the Annexure-X.

Export

Before 1995, Bangladesh imported Cement and started exporting from 2003. The brand that pioneered export was none other than 'Crown Cement' the brand of M. I. Cement Factory Ltd. Presently exports are also being carried out competing with the product of importing countries. Cement export data says that Crown Cement exported the major portion of the national export volume in cement and significantly contributes to country's economy by earning foreign currency. By taking a Bangladeshi product beyond the Borders 'Crown Cement' is the only brand, which has been awarded with National Export Trophy (Gold) twice consecutively for the years 2008-2009 and 2009-2010. During the year under review we earned foreign exchange to the tune of about Tk.429.69 million.

Information Technology (IT)

The management's brainchild 'Vision 2020' has been incorporated not only to be one of the leading exporters in the industry but also to fulfill its commitment towards the society. The pathway to achieve Vision 2020 is a detailed master plan on upgrading existing IT infrastructure. And we are smoothly heading towards our goal. Acquisition of SAP4HANA based business intelligence systems, state-of-the art hardware systems, efficient human resources are among the few initiatives worth to mention.

One of the main issues with IT industry today is security. In the last twenty years we have witnessed the thriving of a countless of electronic attacks, malware, vulnerabilities and intrusions in the domain of information and communication technologies. Maintaining a sufficient amount of information security measures and solutions is not an easy task in the modern era. To fully comply with outside threat, we have taken several measures including state of the art Firewall system to safeguard transaction of valuable information considering the recent global outcry over security.

Safety, Health and Environment

Safety, Health & Environment is a vital part of Crown Cement's journey towards sustainable development. Our goal is to ensure '0' harm to people. We believe that, health & safety are core values that must be incorporated into all aspect of our business. We equip our employees and contractors with job specific Personal Protective Equipments (PPE), which leading us to establish a strong safety culture. The company is accountable for prevention of injuries and occupation illness which has been minimized through proper training to all level of employees. We believe in visible leadership and accountability for health & safety at all levels throughout the organization. With all these attributes in plan, we have targeted to achieve ISO EMS (Environmental Management System) 14001 and OHSAS (Occupational Health and Safety Assessment Series) 18001 within the quickest possible time.

Contribution to the National Exchequer

During the Accounting year ended 30 June 2016, the Company has contributed Tk. 2,230,150,759.00 to the National Exchequer through following manner:

(Tk. in Million)

	2015-16	2014-15	2013-14	2012-13	2011-12
Advance Income Tax	258	321	329	335	419
VAT	1,378	1,196	1,169	921	766
Customs Duty	594	554	472	411	276
Total	2,230	2,071	1,970	1,667	1,461

Independent Directors

As per the Corporate Governance Guidelines dated 7 August 2012 issued by the Bangladesh Securities and Exchange Commission (BSEC), considering 6 (six) Shareholder Directors in the Board, two Independent Directors have been appointed, namely-

- a) Mr. Golam Mohammad, a retired corporate officials with vast experience and
- b) Professor Dr. Shaikh Shamsuddin Ahmed, Professor of Finance Dept., Dhaka University.

It may be mentioned here that the above noted two Independent Directors are going to complete the first year of their tenure and will continue further for the next two tenure.

Audit Committee of the Board

The Audit Committee reviews the Quarterly, Half-yearly and Annual Financial Statements and statements of related party transactions. Also it reviews adequacy and effectiveness of financial reporting process, accounting policies, internal control and risk management process. It is also responsible for overseeing the management letter along with performance, appointment and re-appointment of external auditors. Currently, our Audit Committee consists of the following:

Sl. No.	Name	Position	Status
1	Mr. Golam Mohammad	Independent Director	Chairman
2	Mr. Md. Alamgir Kabir	Director	Member
3	Mr. Molla Mohammad Majnu	Director	Member
4	Mr. Md. Mizanur Rahman Molla	Director	Member
5	Mr. Md. Mozharul Islam, FCS	GM & Company Secretary	Member Secretary

Post Balance Sheet Events

Subsequent to the Balance Sheet date, the Board of Directors has recommended a Cash Dividend of 20%.

Auditors

The existing external auditors of the Company M/s. Syful Shamsul Alam & Co., Chartered Accountants will complete first year and retire at the 22nd Annual General Meeting. Being eligible, they have expressed their willingness to be re-appointed as external auditors for the year ending 30 June 2017. The Board of Directors has accepted the willingness of M/s. Syful Shamsul Alam & Co., Chartered Accountants for appointment as external auditors for the year ending 30 June 2017, which is being placed in the 22nd Annual General Meeting for Shareholders approval.

Governance, Ethics and its compliance

Good governance and ethical conduct provide the foundation for everything we do at M. I. Cement Factory Ltd. They help us earn trust, manage risks, foster sustainable growth, and build a resilient business. We aim to tackle challenging issues head on, make our communications and processes simple, hold everyone accountable, and empower all our employees to do what's right. Our Code of Business Conduct as well as our internal ethics upkeeps and tailored training, helps employees make ethical decisions.

We believe continuous supervision in every business practice is the key to sustain in a leadership role. Therefore, our Company is directed, administered and complied with the set of laws, policies and procedures exerted in Bangladesh Securities & Exchange Commission's (BSEC) Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012, the Companies Act, 1994 and the Listing Regulations 2015 by Dhaka Stock Exchange Ltd. (DSE) & Chittagong Stock Exchange Ltd. (CSE) The Directors' declaration, Shareholding pattern and CEO & CFO's declaration to the board for the year ended 2016 are appended as Annexure I, IV and VII respectively. Further, the Corporate Governance Compliance Report and a Certificate of Compliance required under the said Guidelines, as provided by M/s. ACNABIN, Chartered Accountants is also annexed to this report as Annexure VIII.

Our Gratitude

Our stupendous performance of the year under review demonstrates the dedication and support to Company by its employees at the front and by those numerous stakeholders and our brand users offstage. In this context, the Board of Directors would like to extend its foremost regards and appreciation to the valued Shareholders and other Stakeholders of the Company for their continued patronage and guidance to the company that led to the achievements.

We gratefully acknowledge the valuable help and advice that we have always received from our esteemed Shareholders, not only during the deliberations of the Annual General Meeting, but at other times as well. We greatly value the unstinting and ready support and co-operation of our clients and we assure them that it will be our constant endeavor to prove worthy of the trust they have reposed in us. To them and to the growing member of our well wishers we offer our profound thanks.

We also deeply appreciate the help and co-operation that we have received from the various Ministries, the Government of the People's Republic of Bangladesh, National Board of Revenue (NBR), Bangladesh Investment Development Authority (BIDA) former Board of Investment (BOI), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Central Depository Bangladesh Limited (CDBL), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), the Company's Bankers, Insurers and Financial Institutions, Vendors, the Press and Media and other Business Partners and its staff have always been very helpful and their advice and guidance have made it possible for us to run the affairs of the Company smoothly. We would like to express our sincere thanks for extending their helpful hands.

We are proud of the unswerving loyalty and devotion of our staff, whose drive, energy and skill have helped the Company to reach its present position.

On behalf of the Board

Dated, Dhaka
27 October 2016



(Mohammed Jahangir Alam)
Chairman